



Directorate of  
Intelligence

**Secret**

25X1

# USSR: Good Grain Crop Cuts Import Needs

25X1

An Intelligence Assessment

ON FILE USDA RELEASE INSTRUCTIONS APPLY

**Secret**

GI 85-10267  
SOV 85-10181  
October 1985

Copy 437

NGA Review Completed

SOV 85-10181  
October 1985

**Page Denied**



# USSR: Good Grain Crop Cuts Import Needs

25X1

An Intelligence Assessment

25X1

This paper was prepared by [redacted]  
 Office of Global Issues, [redacted]  
 [redacted] Office of Soviet  
 Analysis. [redacted]

25X1

25X1

25X1

25X1

Comments and queries are welcome and may be  
 directed to the Chief, Strategic Resources Division,  
 OGI, or [redacted]

25X1

Secret

GI 85-10267  
 SOV 85-10181  
 October 1985

**Secret**

25X1

**USSR:**  
**Good Grain Crop**  
**Cuts Import Needs**  

25X1

**Key Judgments**

*Information available  
as of 1 October 1985  
was used in this report.*

With the 1985 crop season in the USSR now coming to a close, it appears likely that Moscow will produce some 200 million tons of grain, 20 million tons above last year's estimated output and the best grain harvest since the 1978 record of 237 million tons. Prospects are also good that the production of forages—a major livestock feed—will reach an alltime high, providing the basis for further growth in livestock production. As a result, we believe that total agricultural output in 1985 will set a new record.

25X1

This favorable outlook means that Moscow would need to import only about 25-30 million tons of grain during the marketing year that began on 1 July—far short of the record 53 million tons imported last year—to meet its estimated domestic grain requirements. Having already lined up about 12-13 million tons by the end of September, the USSR should face few, if any, financial or logistic constraints covering the balance of the deficit. Because of the many variables determining Soviet grain-buying policy, however, we cannot yet rule out larger purchases. Moscow could take advantage of a buyers' market to import above-minimum levels and thereby expand meat production beyond plan or add grain to stocks.

25X1

The USSR's potentially best overall agricultural year ever carries with it some favorable implications for General Secretary Gorbachev. The drop in per capita food supplies that occurred in 1984 should be remedied this year, giving new momentum to the Food Program. More quality food on Soviet tables almost certainly would boost worker morale and productivity, providing an immediate growth dividend to the overall economy. In addition, the possibility of a cutback in grain imports of up to 50 percent from last year means that Moscow could save as much as \$2.5-3 billion in hard currency outlays, thereby easing the negative repercussions from an expected downturn in hard currency earnings this year. For example, Moscow should now be in a position to make fewer cuts in imports of badly needed high-technology goods than otherwise would have been necessary.

25X1

The prospect of a sizable drop in Soviet grain imports this marketing year also suggests that US sales to the USSR may plunge by more than 50 percent from last year's record of some 22 million tons. Indeed, Moscow has

**Secret**

[redacted] 25X1

purchased only 2.7 million tons of US corn, in contrast to last year at this time when it had already lined up more than 12 million tons of both wheat and corn. While some additional corn purchases are likely in the near term, the Soviets could remain out of the US wheat market for several more months given the global exportable surplus of wheat. Such action, however, could cause US wheat prices f.o.b. Gulf ports—already at their lowest level in seven years—to decline even further.

[redacted]

25X1

**Secret**

iv

**Secret**

25X1

## Contents

	<i>Page</i>
Key Judgments	iii
Introduction	1
Grain Crop Developments	2
Remaining Uncertainties	3
Mixed Prospects for Other Crops	5
Soviet Grain Requirements and Imports	6
The Need for Grain	6
Slack Grain Buying Activity	8
Implications	9

## Appendix

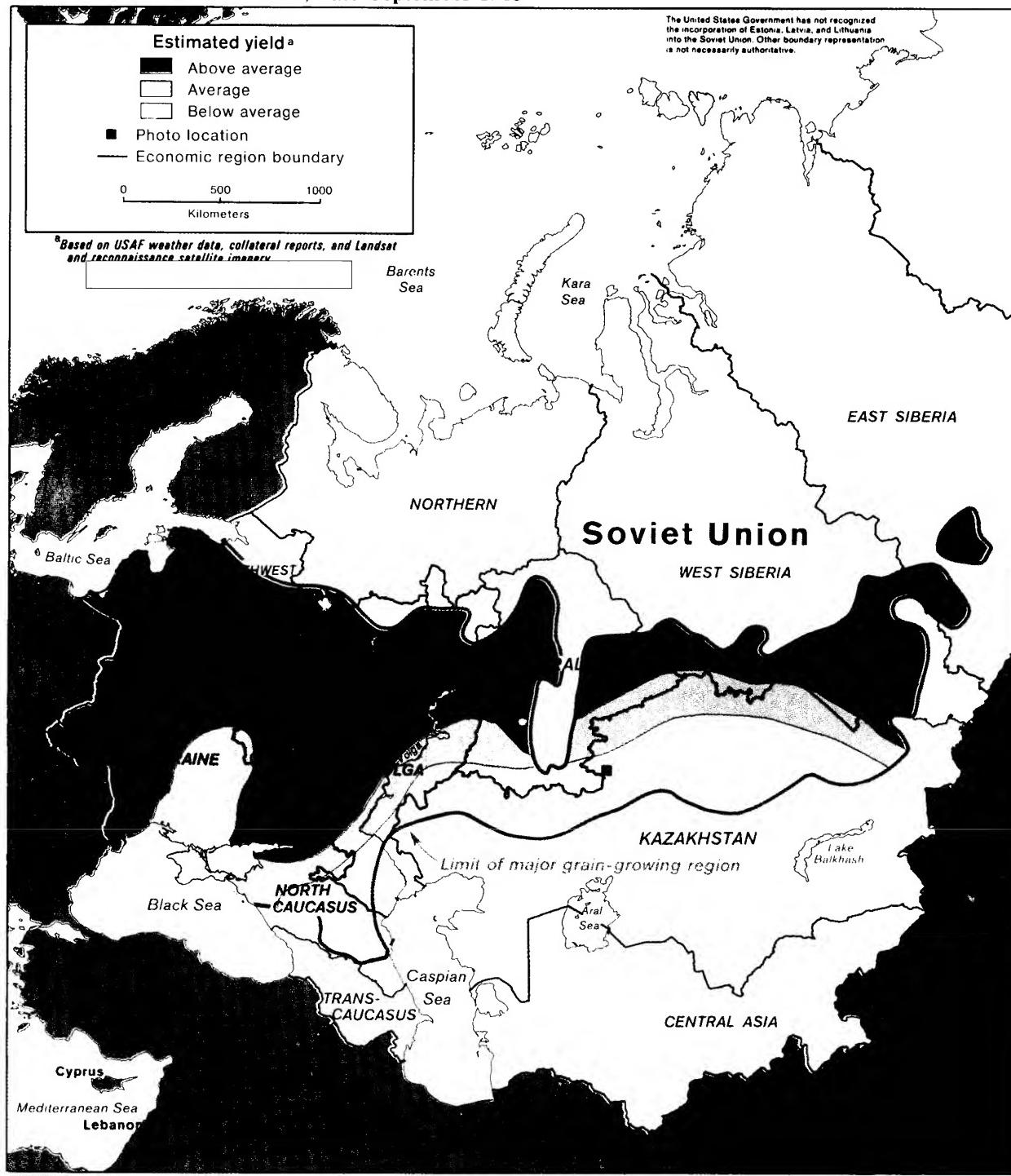
USSR: 1985 Prospects for Major Nongrain Crops	11
---	----

**Secret**

**Secret**

25X1

**Figure 1**  
**Estimated Soviet Grain Yields, Late September 1985**



706061 (A02894) 10-85

**Secret**

**Secret**

25X1

**USSR:**  
**Good Grain Crop**  
**Cuts Import Needs**

25X1

**Introduction**

Following a record year in 1983, total Soviet agricultural production declined slightly in 1984 but was still the second-best performance ever. A key factor in the downturn was our estimate of an 8-percent drop in the grain harvest (about 15 percent of the value of overall agricultural output) to 180 million tons. On the positive side, the production of meat, milk, eggs, and vegetables reached new highs, while forage output was second only to the previous year's record. In addition, the sugar beet and potato harvests posted their best showings since 1978 and 1979, respectively.

Last year's good agricultural performance notwithstanding, Moscow lost ground on two key goals of the Food Program—improving food supplies while reducing hard currency expenditures for imports of Western farm products. We estimate per capita availability of all farm products in 1984 fell by 2 percent while meat availability was about flat. This occurred largely because production growth was not sufficient to compensate for both the increase in the Soviet population and a decline in meat imports. As for hard currency outlays, the bill for imported farm products last year jumped 4 percent to \$6.6 billion, reflecting record grain purchases.

Based on the performance of the agricultural sector thus far, we believe that total 1985 output will surpass the previous record set in 1983.<sup>1</sup> This year's expected growth of some 4 percent is predicated on our estimate of continued growth in the livestock sector arising from a grain crop of 200 million tons and prospects for a record forage harvest—a major livestock feed. Livestock accounts for more than half the total value of agricultural output.

<sup>1</sup> Estimates of the value of total agricultural production are derived from the gross output of crops and livestock products, less feed, seed, and waste, using 1970 average realized prices.

Soviet agricultural policy under the new leadership of Mikhail Gorbachev appears to be basically in keeping with that of his three predecessors. The General Secretary's public statements indicate that he continues to endorse the Food Program—which he played a key role in formulating—and strongly supports:

- Reorganization of farm labor into small, semiautonomous units that operate on the basis of contracts with state and collective farms and that are paid according to what they produce.
- Self-financing—a system whereby farms finance operations out of earnings—as a means of improving managerial accountability and initiative and farm productivity.
- Private agriculture, recognizing that this sector provides substantial quantities of quality foods, such as meat, vegetables, and fruit—albeit with the help of state resources.

Gorbachev's one major departure from past policy is his push to shift resources away from direct investment in farms, such as the construction of large-scale livestock complexes, toward development of the rural infrastructure (storage, transportation, and housing) and supporting industries, particularly agricultural machine building. Recognizing that better storage facilities and transportation could reduce considerably the enormous waste and spoilage of Soviet agricultural products, Gorbachev has made it clear that some shifting of investment funds will be included in the forthcoming five-year plan for the 1986-90 period.

Although by no means assured, implementation of these measures, combined with what we anticipate will be increasing imports of Western farm technology and equipment, could markedly improve the USSR's crop and livestock production and thus bring more

25X1

25X1

25X1

25X1

Secret

**Table 1**  
**USSR: Grain Production<sup>a</sup>**

*Million metric tons*

	1976-80 Average	Estimated <sup>b</sup>				
		1981	1982	1983	1984	1985
<b>Total</b>	<b>205.0</b>	<b>158.0</b>	<b>180.0</b>	<b>195.0</b>	<b>179.0</b>	<b>199.0</b>
By republic						
RSFSR	113.9	78.0	99.5	112.0	94.5	112.0
Ukraine	43.1	38.2	42.0	39.0	44.5	43.0
Kazakhstan	27.5	23.8	19.5	25.0	17.5	21.0
Other	20.5	18.0	19.0	19.0	22.5	23.0
By crop						
Wheat	99.7	81.0	90.0	80.0	77.0	88.0
Coarse <sup>c</sup>	95.1	68.0	80.0	102.0	92.0	99.0
Other <sup>d</sup>	10.2	9.0	10.0	13.0	10.0	12.0

<sup>a</sup> Measured in bunker weight, that is, gross output from the combine, which includes excess moisture, unripe and damaged kernels, weed seeds, and other trash. For comparison with US or other countries' grain output, an average discount of 11 percent should be applied.

<sup>b</sup> The USSR has not published overall grain production or yield statistics since 1980. Total grain production in 1981 was unofficially reported at 158 million tons. Data for Kazakhstan for 1981 and 1982 are official. All other figures represent our estimates.

<sup>c</sup> Coarse grain comprises rye, barley, oats, corn, and millet.

<sup>d</sup> Other grains include pulses, buckwheat, and rice.

25X1

food to Soviet tables. The potential gains, however, would be several years in the making and would be dampened by more fundamental problems plaguing Soviet agriculture. For example, farms will continue to face chronic shortages of agrochemicals and equipment, low labor productivity, and high production costs for the foreseeable future.

### Grain Crop Developments

With the crop season in the USSR now entering the final stages, we believe that Moscow is headed for its best grain harvest in six years. Prospects for well-above-average grain yields have been partly offset, however, by the fact that the area sown to grain this year is the smallest in more than a decade. As a result, given normal weather for the rest of the season, the 1985 Soviet grain crop is likely to be about 200 million tons, 20 million tons larger than both last

year's estimated output and the estimated average for 1980-84, but well below the 1978 record of 237 million tons.<sup>2</sup> The US Department of Agriculture currently forecasts the crop at 190 million tons. Estimates by other Western grain analysts range from 180 million to 200 million tons.

The 1985 crop season got off to a good start last fall. According to data released by the USSR's Central Statistical Administration (CSA), the area sown to winter grains was up slightly from the previous year.

<sup>2</sup> The 200-million-ton figure is our best estimate of the 1985 Soviet grain crop, but one that is subject to error. On the basis of our analysis of best and worst case scenarios, there is a 90-percent probability that the crop will come in between 190 million and 210 million tons, and a 75-percent chance that it will range between 195 million and 205 million tons.

25X1  
25X1

25X1

Secret

Secret

Meteorological data and satellite imagery indicated that prewinter crop development was good everywhere except in the southern Volga Valley and in areas adjacent to the Black Sea, where dry soil conditions caused poor germination. Despite severe temperatures, we believe that a protective snowcover kept winterkill below average. Winter grains—sown mostly in the European USSR in the fall for harvest the following summer—normally account for about one-third of total Soviet grain production.

Overall crop prospects have remained bright this spring and summer. Despite initial delays of two to three weeks, planting of spring grains—sown in April and May, and harvested in late summer and fall—was completed largely on time, according to CSA data. Crop vigor during the critical flowering period, as viewed on Landsat imagery, was generally good to excellent across the majority of the Soviet grain belt.<sup>3</sup> In the southern European USSR, namely the Ukraine, North Caucasus, and parts of the Volga, Central Black Earth, and Central regions, this favorable outlook was confirmed by reports from the US agricultural attache, who traveled there extensively this year. Analysis of the amount of postharvest straw residue seen on recent reconnaissance imagery corroborates evidence from earlier Landsat imagery that grain yields may well reach record levels in the western Ukraine and parts of the Central and Volga Vyatka regions. In addition, production of chemical fertilizers during January-May was up 3 percent over the corresponding period last year. Given adequate moisture, properly applied fertilizer is the single most important factor in raising Soviet grain yields.

There have been some developments, however, which we believe cut the potential size of this year's grain crop by some 25 million tons. Most damaging were several bouts of adverse weather, but continuation of the downward trend in total grain hectarage—begun in the late 1970s—also contributed:

- In the Volga Valley and North Caucasus, below-normal precipitation from last fall through this

<sup>3</sup> Flowering is the stage of crop development when maximum potential grain yields are determined.

spring coupled with drought conditions in May caused estimated losses of about 10 million tons. A small part of this damage was recouped in June, when rainfall in the affected areas reached record levels.

- We believe that hot, dry weather during the first half of May in the central Ukraine cut output of winter grains—then nearing the flowering stage—by more than a million tons.
- An estimated 6 million tons of grain were lost in Kazakhstan following intermittent sukhovey conditions (hot, dry winds) from mid-June through early July.
- Analysis of late August Landsat imagery indicates that this year's corn crop probably was reduced by about 1.5 million tons (11 percent) after being hit by two sukhoveys earlier in the month, when many plants were in the vulnerable pollination stage.
- Based on Soviet midyear economic data, we estimate that the final harvested grain area will total only 119 million hectares, the smallest since 1972 and 4 million hectares less than the average of the past five years.<sup>4</sup> Assuming average yields, such a decrease in hectarage produces a loss of some 6 million tons of potential grain production.

We estimate that, since the record grain harvest in 1978, the combination of adverse weather and declining grain hectarage has cost Moscow an average of roughly 55 million tons of potential grain output annually.

25X1

25X1

25X1

#### Remaining Uncertainties

Although all available evidence thus far suggests that the 1985 Soviet grain crop will be the largest since the record year of 1978, there remains some uncertainty regarding its exact size. In the unlikely event that

<sup>4</sup> The cutback in grain area appears to be a consequence of Moscow's policy to greatly expand the amount of arable land put into fallow. Between 1977 and 1984, the harvested grain area of the USSR declined steadily from a record high of 130.4 million hectares to 119.6 million, while fallow increased from 11.7 million hectares to 20.1 million.

25X1  
25X1

Secret

---

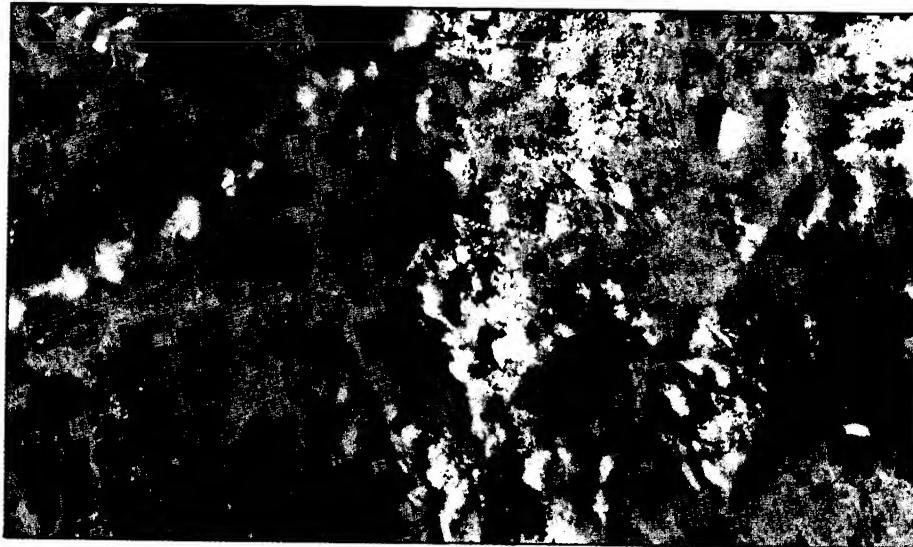
**Figure 2**

**USSR: Contrasting Crop Conditions,  
Volga Vyatka Region and Kazakstan**

Gorkov Oblast, 16 July 1985



Kustanay Oblast, 12 July 1985



Multispectral Landsat imagery taken during the critical flowering period shows that crop prospects vary markedly within the USSR this year. The bright red color of grainfields in Gorkov Oblast is typical of healthy crops with high-yield potential. In contrast, the lack of red color from fields in Kustanay Oblast indicates that crops there are suffering from severe moisture stress. As a result, final grain yields in this area are likely to be well-below average.



25X1

Secret

Secret

excessive rainfall occurs during the final few weeks of the harvest campaign, combining operations could be seriously hampered, leading to losses in both grain quantity and quality. Moreover, because the harvest is running about one week late, slightly more grain than normal would be lost if an early snowfall precluded its completion. The latest Soviet harvest progress report indicates that a maximum of some 10 million tons of grain are at risk.

Other factors could boost this year's grain production above 200 million tons, perhaps by as much as 10 million tons. We estimate that the amount of grain growing on land that was previously fallow increased again this year, continuing the upward trend begun in the late 1970s. Although fallowing sacrifices production in the year in which the land is idled, it usually results in higher, more stable yields in subsequent years as long as the fallowed hectarage is maintained in the crop rotation schedule.

In addition, Moscow almost certainly will realize some benefit from a large-scale program in intensive wheat cultivation that is being undertaken on some 17 million hectares—nearly 15 percent of the area sown to grain. According to [redacted]

Soviet press reports, Moscow has purchased large amounts of Western insecticides, herbicides, and fungicides in an attempt to raise average wheat yields by 1 ton per hectare on the intensively cultivated area in the RSFSR, Kazakhstan, and the Ukraine. Because of the experimental nature of the program, we have been very conservative in incorporating potential gains into our 200-million-ton figure. We believe that problems with deliveries of the chemicals to farms and with field applications will hold this year's results well below the planned increase of 16-18 million tons. But even so, we judge that sizable gains of 5 million tons or more are possible because many of the test areas experienced favorable growing conditions this year.

#### Mixed Prospects for Other Crops

Current prospects for the major nongrain crops in the Soviet Union—sunflowers, sugar beets, vegetables, potatoes, and cotton—are mixed. We estimate above-average harvests of sugar beets, vegetables, and potatoes this year. Output of sunflowers and cotton should

**Table 2**  
**USSR: Nongrain Crops**

	Area (million hectares)	Yield (quintals per hectare)	Production (million metric tons)
<b>Sunflowers</b>			
1980-84 average	4.3	11.5	4.8
1983	4.3	12.5	5.1
1984	4.3	11.8	4.5
1985 estimate	4.1	11.5	4.7
<b>Sugar beets</b>			
1980-84 average	3.6	214.0	76.1
1983	3.5	234.0	81.8
1984	3.5	246.0	85.3
1985 estimate	3.5	242.0	84.0
<b>Vegetables</b>			
1980-84 average	1.8	159.0	29.1
1983	1.8	161.0	29.5
1984	1.8	170.0	31.5
1985 estimate	1.8	167.0	29.5
<b>Potatoes</b>			
1980-84 average	6.9	112.0	77.1
1983	6.9	120.0	82.9
1984	6.9	125.0	85.5
1985 estimate	6.9	122.0	84.0
<b>Cotton</b>			
1980-84 average	3.2	29.2	9.3
1983	3.2	28.9	9.2
1984	3.2	25.8	8.6
1985 estimate	3.4	27.5	9.3

25X1

25X1

25X1

25X1

25X1

25X1

25X1

rebound from poor showings in 1984, but the sunflower crop is still likely to be below the average of the past five years, and only average cotton production is expected.<sup>5</sup>

<sup>5</sup> For a more detailed discussion of these crops, see appendix A [redacted]

Secret

---

### *The Soviet "Intensive Technology" Effort*

*The USSR has undertaken a massive experimental program in intensive wheat production this year. Intensive technology as defined by the Soviets includes many farm management practices performed routinely in the West. These include using high-yield, lodging resistant varieties; proper placement of hearty, clean seed; integrated pest management; planting where possible following fallow; working out efficient transportation routes and schedules; and the use of agrochemicals, including fertilizers, plant growth regulators, and pesticides. The program commenced in 1984 on selected test sites in the Ukraine, North Caucasus, and Central Chernozem region. This year, according to Soviet press reports, it was expanded geographically to include Kazakhstan and West Siberia, and the technology was applied to 6.4 million hectares of winter wheat and 10.5 million hectares of spring wheat. Preliminary results have been impressive, with intensively cultivated fields reportedly yielding as much as one and one-half to two times more grain than those grown by traditional Soviet methods.* [redacted]

*Despite the potential benefits of the program—as outlined in numerous training seminars conducted recently for Soviet farmers—the transition to this high input form of grain production has not been smooth. Many farm managers, unconvinced of the*

*merits of intensification, have stonewalled its implementation, according to Soviet press reports. Even if this problem is overcome, it is not yet clear whether the Soviets will be able to manage the inputs efficiently enough to assure a large net gain over the long term. Soviet technical journals indicate that much of the equipment in use is not designed to apply the agrochemicals properly, and perennial transportation problems have either prevented delivery of materials altogether, or delayed their arrival past the time of optimal application.* [redacted]

25X1

*Nevertheless, the Soviet leadership, including General Secretary Gorbachev, has endorsed the intensification effort and plans a sizable expansion of the program over the next few years. In a recent speech given at an economic conference in Tselinograd Oblast, Gorbachev stated that some 35 million hectares of grain crops, including 4 million hectares of corn and the remainder mostly wheat, will be cultivated in 1986 with the use of "intensive technological processes." He also said that these processes would embrace no less than 60 million hectares "in the very near future." Although Moscow has serious problems to overcome if the program is ever to approach its full potential, Soviet grain production undoubtedly will benefit from such expansion.* [redacted]

25X1

25X1

By comparison, the outlook for selected forages—hay, haylage, silage, and grassmeal—is excellent. According to CSA data, forage procurements as of late September were running 5 percent ahead of the record 1983 pace, overcoming a gap of nearly 30 percent that existed in early July. Given this performance, we believe that, unless the weather deteriorates markedly in the coming weeks, forage production will set a new record this year. Since harvested forages in the USSR comprise slightly more than one-half of the nutrient content of the livestock ration, the outlook for feed supplies is very good. [redacted]

### **Soviet Grain Requirements and Imports**

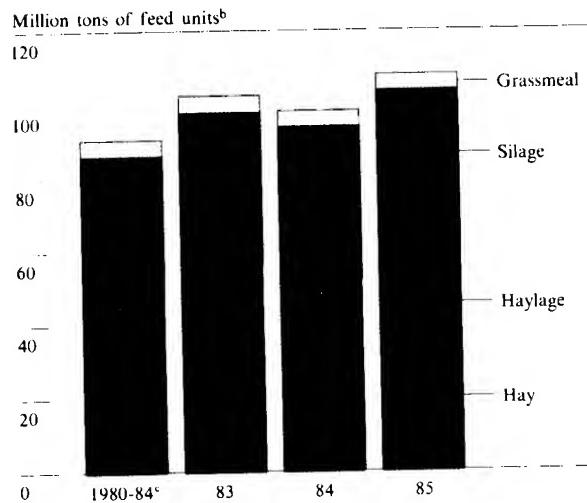
***The Need for Grain.*** A much-improved grain crop this year, coupled with Moscow's apparent success in restraining growth in the use of grain for livestock feed and prospects for a record forage crop, means that Soviet grain import needs during the marketing year (MY) that began on 1 July will be down sharply from a year ago. During MY 1984/85 (1 July 1984–30 June 1985), the USSR imported roughly 53 million

25X1

Secret

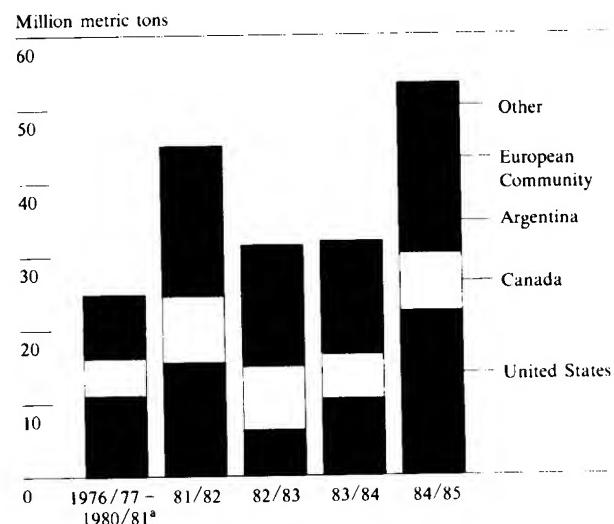
Secret

**Figure 3**  
**USSR: Cumulative Procurements of Selected Harvested Forages, 1980-85<sup>a</sup>**

<sup>a</sup> As of 23 September.<sup>b</sup> One kilogram of feed units contains the nutrient content of 1 kilogram of oats.<sup>c</sup> Average.

306901 1085

**Figure 4**  
**Grain Exports to the USSR, 1976/77-1984/85**

<sup>a</sup> Average.

306901 1085

tons of grain, a new record. Assuming a 200-million-ton grain harvest this year, Moscow would be only some 25-30 million tons short of the quantity of grain we believe necessary to maintain recent levels of seed, food, and industrial use, and to sustain growth in meat and dairy products.<sup>6</sup> This figure could be somewhat less if livestock feeding efficiencies continue to improve, as we believe likely.

The USSR's need for grain imports is determined largely by the size of the domestic grain and forage crops and decisions regarding the output of livestock

<sup>6</sup> Because the USSR measures grain production from the field before cleaning and drying, our bunker-weight estimate of output must be reduced by an average of 11 percent to be comparable with the international standard weight measure for seed, food, imports, and other items. The discount varies according to moisture conditions before and during harvest and according to crop size and thus can become either larger or smaller than average as the season advances. Our current estimates indicate a standard-weight crop of roughly 180 million tons (given a bunker-weight crop of 200 million tons) and consumption needs of about 205-210 million tons.

products. Soviet data published earlier this year confirmed that, while continued growth was expected, the original ambitious 1985 targets for meat and milk production were revised downward, thereby cutting Moscow's estimated grain requirements by some 4-5 million tons.<sup>7</sup>

Moscow's policy regarding domestic grain stockpiles can also affect the amounts of grain it imports annually. Our estimates of the 1984 grain crop and of MY 1984/85 grain imports and usage indicate that some 5-10 million tons of grain probably were added to stocks last year. The last major addition to grain stocks occurred following the record grain crop in

<sup>7</sup> Soviet meat production this year is now targeted at 17 million tons, down from the 18.2-million-ton figure outlined in the Food Program unveiled in 1982. Milk output is to reach 99.5 million tons, compared with the original goal of 102 million tons.

25X1

25X1

25X1

25X1

25X1

25X1

Secret

---

**Estimating Soviet Grain Requirements**

*Just as our estimate of Soviet grain production is subject to uncertainty at this point in the crop season, so is our estimate of Soviet grain requirements, especially the amount of grain needed for livestock feed. Our estimates of grain quantities required for seed, food, industrial purposes, and export have been fairly reliable. Estimates of grain for feed are based on Soviet literature defining the amounts of grain and roughages needed to produce planned levels of meat and other livestock products, as well as to support growth in livestock herds. Such estimates assume, therefore, that the mix of feed does not change.*

*Our understanding of the linkages between feed inputs and livestock output, however, is constrained significantly by the paucity of published data for the current year. Moreover, because Soviet feed rations are deficient in protein and other important nutrients, Western practices cannot be used to estimate feed requirements.*

*We know that the mix of feed also changed somewhat during 1980-84. The leadership's campaign to cut the inefficient use of costly grain and to increase production of harvested forages succeeded in lowering the share of grain in the total feed ration from about 30 percent in 1980 to about 28 percent in 1984. This in turn led to a more efficient use of feed as well as improved animal productivity—more meat and milk per animal. Should this trend continue—a possible scenario given the excellent outlook for forage production—our calculation of the amount of grain needed for feed this crop year would be too high, perhaps by several million tons.*

---

1978. Our calculations suggest that most of those reserves were withdrawn during the 1979-82 period.

At the same time, one of the chief aims of the Food Program—launched by Brezhnev in 1982 and strongly supported by Gorbachev—is to reduce imports of Western farm products, and this can serve as a force

to hold down imports of grain. The leadership, however, is not likely to let the forward momentum generated over the past few years in the livestock sector slow. Gorbachev clearly recognizes the need for increased labor productivity throughout the economy and sees improved food supplies as an important factor in achieving that goal. Thus, we believe that Soviet grain imports during MY 1985/86 will not fall below estimated needs.

25X1

**Slack Grain Buying Activity.** Soviet grain purchases thus far in MY 1985/86 are running well behind last year's record pace. By the end of September, Moscow had lined up only some 12-13 million tons of grain for shipment during the current marketing year, compared with about 24 million tons a year ago. Moreover, the USSR reportedly has bought only 2.7 million tons of US corn, in marked contrast to last year at this time when total purchases from the United States already stood at more than 12 million tons of both wheat and corn. Moscow's abstention from the US wheat market comes despite high-level Soviet assurances given to Agriculture Secretary Block in late August that it would buy the remaining 1.1 million tons of wheat called for under the US-USSR grain agreement before 1 October. As a result, Moscow is now no longer in strict compliance with the terms of the second year of the accord.

25X1

The USSR's reduced grain-buying activity probably reflects more than just lower import requirements. World grain markets are soft—prices are at their lowest level in several years, and exporters are anxious to sell off burdensome stocks—thus putting Moscow in a good bargaining position. Moscow's ability to play the market is somewhat limited, however, by various Long-Term Grain Agreements (LTA) and protocols with the United States, Canada, Argentina, France, Brazil, and Eastern Europe that commit the USSR to buy some 20-23 million tons of grain in MY 1985/86.<sup>8</sup>

25X1

<sup>8</sup> Recent actions indicate that Moscow may be readjusting its thinking on LTAs in light of the growing competitiveness of world grain markets and its own long-term hard currency outlook. For example, in negotiations with Argentina, which is competing for a larger share of the Soviet market, Moscow has resisted pressure to increase commitments.

25X1

25X1

25X1

Secret

**Secret**

The slow buying to date does not necessarily mean that total Soviet grain imports during MY 1985/86 will fall to the 25- to 30-million-ton minimum implied by estimated domestic needs. Purchases of this magnitude are already virtually assured because of LTAs and recent trading patterns that suggest the Soviets probably will buy another 6 million tons of grain outside LTA obligations from countries such as Argentina, Australia, France, India, and China. However, given the favorable market situation for grain buyers, Moscow could choose to import even larger amounts of grain and thereby expand the livestock sector beyond plan or add more grain to stocks. Even so, estimates of up to 41 million tons by grain traders, who generally see a somewhat smaller Soviet grain crop, appear, in our view, to be on the high side at this time.

The USSR should encounter few constraints—either financial or logistic—importing the amount of grain it needs this marketing year. Although hard currency earnings probably will be down about 10 percent as a result of lower oil and gas revenues, Moscow may be able to offset part of these losses through increased exports of gold, diamonds, and platinum. In addition, world grain prices are soft, Western credits and loans are readily available, and grain imports from India and China—perhaps 2-3 million tons—are largely on a barter basis.<sup>9</sup> As for logistics, the massive grain import program in MY 1984/85 proved that the Soviets have greatly reduced the transportation bottlenecks that previously curtailed grain shipments to the USSR.

### Implications

The prospect of a sizable drop in Soviet grain imports during the current marketing year means that US sales to the USSR will fall well below the record 22.3 million tons exported in MY 1984/85. While some additional Soviet purchases of US corn are likely in the near term, Moscow could remain out of the US wheat market for several more months given the large global supplies of exportable wheat. If so, US wheat prices f.o.b. Gulf ports—already at their lowest level

<sup>9</sup> The USSR is trying to expand its soft currency or barter grain trade with these two countries, but neither can presently guarantee long-term availability of exportable grain

since 1978 in nominal terms (not adjusted for inflation) and since the early 1930s when adjusted for inflation—could decline further. Moreover, total US corn exports during the marketing year could be adversely affected should Moscow begin substituting low-priced wheat—from the United States or other exporters—for corn.

25X1

On the Soviet domestic front, the USSR's potentially best agricultural year ever means that the drop in per capita food supplies that occurred in 1984 should be remedied this year. Performance of the livestock sector through August indicates that the revised 1985 targets for livestock production may well be exceeded because of the better-than-expected feed situation. Output of both milk and eggs is running 2 percent ahead of last year. Moreover, domestic meat production—stimulated in part by the good grain and forage crops—could reach a record 17.3 million tons this year, and Soviet meat-purchasing activity to date suggests that imports may equal the 1983 high of nearly a million tons. Under these circumstances, per capita meat availability would go up about 2 percent.

25X1

The good showing of the agricultural sector also carries with it some favorable political and economic implications for General Secretary Gorbachev. This year's good crop performance will give new momentum to the Food Program, thereby restoring credibility to the leadership's commitment to improving the consumer's diet. More quality food on Soviet tables almost certainly would boost worker morale and productivity, providing an immediate growth dividend to the overall economy. Sizable benefits over the long term, however, will depend partly on continued success in the farm sector, a situation that is by no means certain. Meanwhile, the potential for a cutback in grain imports of up to 50 percent from a year ago means that the USSR could save as much as \$2.5-3 billion in hard currency outlays. Such savings would help ease the negative repercussions from the expected downturn in hard currency earnings this year. For example, Moscow should now be in a position to make fewer cuts in imports of badly needed high-technology goods than otherwise would have been necessary.

25X1

25X1

Secret

## Appendix

### **USSR: 1985 Prospects for Major Nongrain Crops**

Prospects for the major nongrain crops in the Soviet Union—sunflowers, sugar beets, potatoes, vegetables, and cotton—are mixed as of early September. We estimate that production of sugar beets, vegetables, and potatoes will be above the average of the past five years. The sunflower and cotton crops should fare somewhat better than last year's poor harvests, but we expect sunflower production to be slightly below average, and cotton output probably will rebound only to average levels.

#### **Sunflowers**

We estimate the 1985 sunflower harvest in the USSR at 4.7 million tons, a slight improvement over last year's output of 4.5 million tons but below the 1980-84 average of 4.8 million tons. Increased plantings of improved varieties coupled with better cultivation techniques should boost output despite some problems caused by adverse weather and a decrease in total sown area. Cool summer temperatures and above-normal precipitation in the Ukraine were conducive to plant disease, while sukhovey conditions in early and mid-August cut yields in the North Caucasus. The Soviets, however, increased the area of sunflowers cultivated under industrial technology and tripled to 1.5 million hectares the area occupied by disease-resistant hybrids, according to Soviet press reports.

#### **Sugar Beets**

Sugar beet production this year in the Soviet Union is likely to be about 84 million tons, near the 85-million-ton crop harvested in 1984, and considerably above the average of the past five years of about 76 million tons. Adequate precipitation, the absence of extreme temperatures, and more extensive application of improved cultivation techniques favor good yields in most areas. However, following a recent trip through parts of the Ukraine, the West German agricultural attache reported that, despite good top growth, local farmers were generally "dissapointed"

in the size of harvested beets. The Ukraine normally accounts for over half of the USSR's sugar beet output.

25X1

#### **Potatoes**

We anticipate a good potato harvest this year of some 84 million tons, well above the 77-million-ton average for 1980-84 but below last year's output of about 86 million tons. The weather has been generally favorable in the European USSR—the principal potato-growing region of the country—with mild temperatures and sufficient rains. Nevertheless, excessively wet soil conditions during June and July in parts of Belorussia, the Central Black Earth and Volga Vyatka regions, and the Ukraine almost certainly reduced potential yields somewhat.

25X1

#### **Vegetables**

Because of good precipitation and generally mild summer temperatures in the key producing areas of the Ukraine and the RSFSR, we estimate 1985 vegetable production in the USSR to be 29.5 million tons. A crop of this size would be slightly above average but would fall short of the 1984 record of 31.5 million tons. Preliminary harvest reports collected by the US agricultural attache in Moscow also suggest a downturn in production from a year ago.

25X1

#### **Cotton**

We believe that 1985 production of raw cotton will total 9.3 million tons, significantly larger than last year's 8.6 million tons, but still only equal to the 1980-84 average. We attribute the expected growth in output to both better yield prospects as well as a record sown area—estimated to be 3.4 million hectares. According to Soviet press reports, planted area was increased in Uzbekistan and Turkmenistan—the two largest producers. Sowing this year was delayed

**Secret**

slightly by a late spring, but favorable weather subsequently promoted good crop germination and development. The absence of extremely hot temperatures during the critical stage of boll formation—the main cause of last year's poor harvest—augurs well for higher yields. Even so, increasing salinity levels in the soil, resulting from poor irrigation practices, are likely to hold down yields. [redacted]

25X1

**Secret**

**Secret**

**Secret**